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SAVINGS

PROFITS

WAGES

What's Ahead?

PRODUCTION

SALES

LIVING COSTS

FOREIGN TRADE

TAXES

EMPLOYMENT

HOUSING

A Survey of Current Economic Trends

GROWTH OF MONOPOLY

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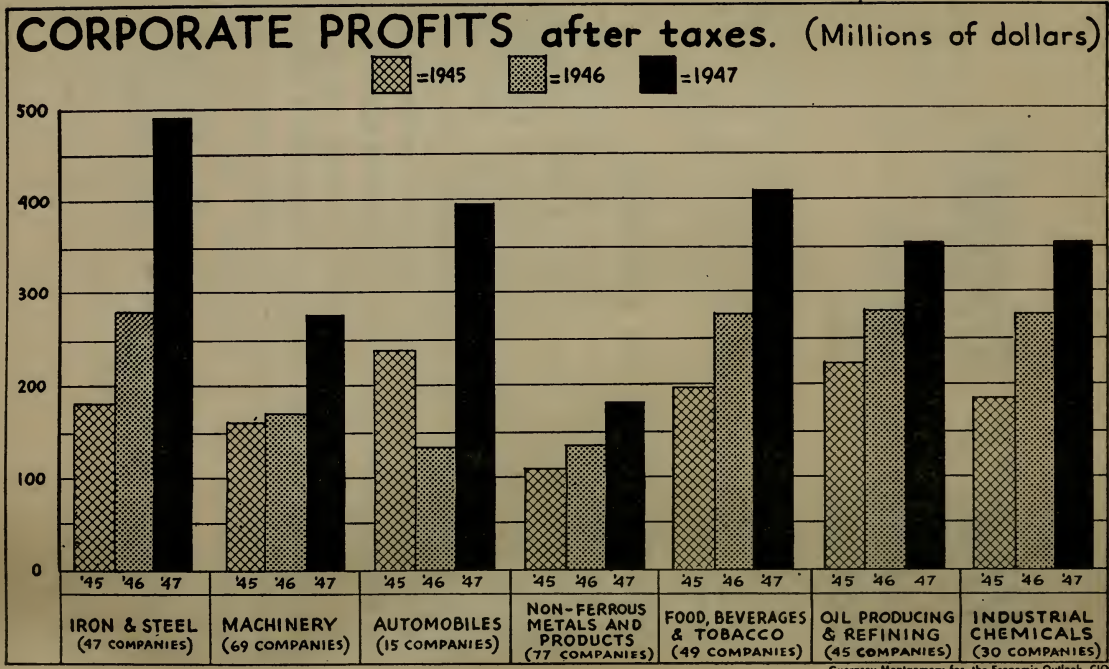
What's Ahead?

A Survey of Current Economic Trends

This Pamphlet is adapted from testimony presented by the CIO Full Employment Committee before the Joint Committee on the Economic Report, June 26, 1947. It is reprinted from the July, 1947, "Economic Outlook."

Corporate Profits by Industries

Corporation profits in the first quarter of 1947 were higher than in any previous period. If these corporations continue to earn profits at the same rate as that attained in the first quarter, 1947 will be the best profit year in their history. The chart shown here is based upon the figures prepared by the Board of Governors of the Federal Reserve system. The figures cover 629 corporations and show that profits, for the first quarter of 1947, if multiplied by four and thus put on an annual basis, were running at the rate of $3.5 billion. The best previous year since 1939 was 1946 when these same corporations earned $2.5 billion. The average dur-


CORPORATE PROFITS after taxes. (Millions of dollars)
=1945
=1946
=1947
500
400
300
200
100
0
'45 '46 '47
IRON & STEEL (47 COMPANIES)
MACHINERY (69 COMPANIES)
AUTOMOBILES (15 COMPANIES)
NON-FERROUS METALS AND PRODUCTS (77 COMPANIES)
FOOD, BEVERAGES & TOBACCO (49 COMPANIES)
OIL PRODUCING & REFINING (45 COMPANIES)
INDUSTRIAL CHEMICALS (30 COMPANIES)
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ing the war years 1942–45 was $1.8 billion. Profits in 1947, if they continue at the same level attained during the first quarter, will be almost double what they were during the war.

First quarter 1947 profits for fifteen automobile companies was $99 million This would make total profits for 1947, if the auto companies continue to make profits at their present rate, $396 million. The previous peak year in auto was 1941 when profits were $274 millions. 1946 was a relatively poor year because of reconversion problems, but these same fifteen auto companies made $130 million. 1945 profits were $243 million, the second highest year since 1939.

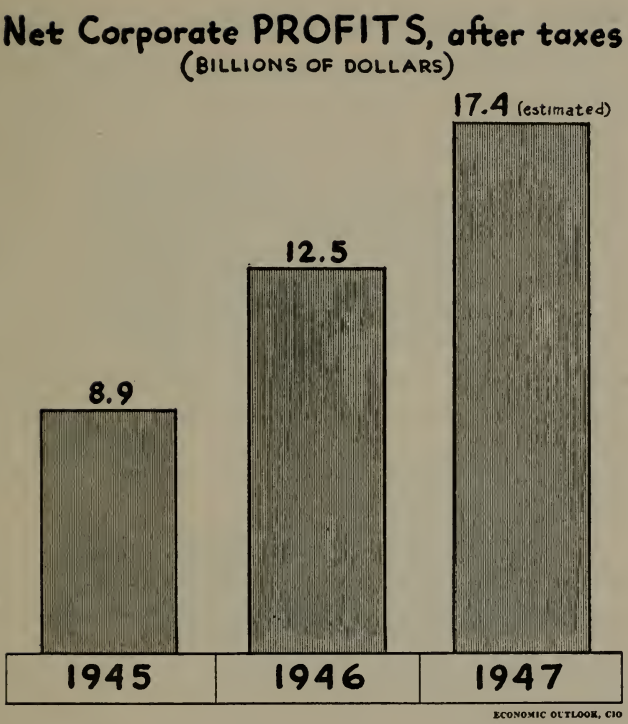
In the food, beverage and tobacco industry the annual rate of profits for 1947 is $412 million, as compared to the previous peak of $356 million attained in 1946, $199 million in 1945 and $148 million in 1941.

In each of the other industries shown in this chart, the annual rate of profits established by the figures of the first quarter were higher than at any other time in the history of these corporations.

Over-All Corporate Profits

The Department of Commerce has just revised its figures of profits of all corporations in the United States. These revised figures show that profits in 1946 were $12.5 billion. The all-time peak had been $10.3 billion in profits in 1943. 1946 profit figure of $12.5 billion is 40% higher than the 1945 figure of $8.9 billion. Profits in the fourth quarter of 1946 were running at an annual rate of $16.1 billion. During the fourth quarter, reconversion problems in the main had been licked and there were few other interferences to industrial production. The true earning capacity of American corporations operating at relatively full capacity was beginning to show up in the figures of the fourth quarter of 1946. So far, in 1947 there is every indication to believe that profits of all corporations after taxes will be in excess of that which was established in the fourth quarter of 1946.

The *Economic Outlook* of November 1946, predicted that 1946 profits, after taxes, would be $11.8 billion. This prediction fell short by $700 million of the figure just published by the Department of Commerce. We also predicted in that issue that 1947 profits after taxes would be $16.1 billion. If



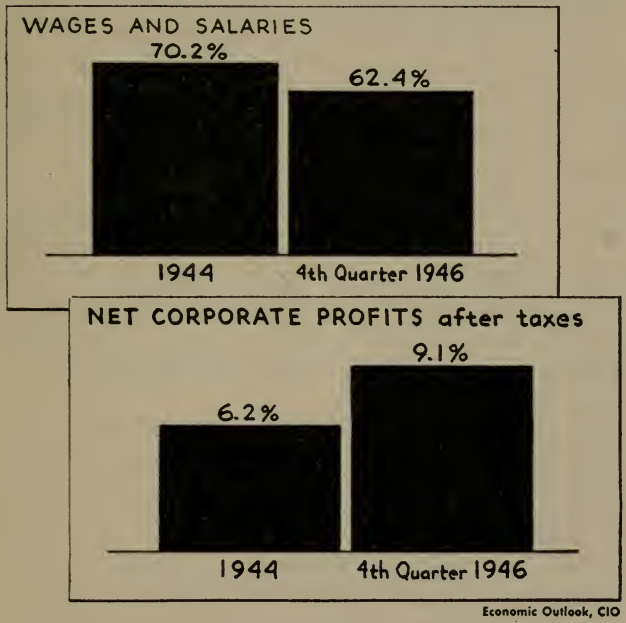
profits continue to pile up in the last six months of 1947 at the same rate that was accrued in the first six the CIO estimate for 1947 will have again understated corporate profits by at least $1 billion.

Share of National Income

This chart based upon figures of the United States Department of Commerce clearly shows that the share of national income going into wages and salaries has been on a steady decline, while the share going to corporations in the form of profits after taxes has steadily increased. In 1944, 70.2 per cent of the national income went into wages and salaries and 6.2 per cent into net corporate profits after taxes. For the year 1946, 64.6 per cent of the national income went to wages and salaries while 7.6 per cent went into corporate profits. However, conversion problems, industrial disputes and other factors prevented our economy in the first six months of 1946 from operating at high levels of capacity.

A clearer picture of the relative positions of wages and profits can be gotten by looking at figures for the last quarter of 1946, when profits were at the highest point in our entire history. 9.1 per cent of our national income went to profits while the proportion going to wages and salaries declined to 62.4 per cent. This trend continued on into 1947, with a lesser share of our national income going to wages and salaries and a greater share going to corporate profits. Thus, we see that between 1944 and 1946 the share of national income going

Share of National Income Going to Wages, Salaries and Corporate Profits



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to wages and salaries declined from 70.2 per cent to 62.4 per cent while the share of corporate profits after taxes increased from 6.2 per cent to 9.1 per cent.

Employment

In May 1947, total employment reached an all-time peak—58.3 million. In spite of this, employment in manufacturing industries has steadily declined since March when 15,511,000 industrial workers were employed. In April this figure dropped by almost a 100,000. It dropped another 150,000 between April and May. Total industrial employment in the months between March and May declined, therefore, by 250,000 workers, mostly in three industries. Textile and apparel industries lost 143,000 workers, electrical machinery lost 61,000 workers; and the rubber products industry, including tires and tubes, lost 16,000 workers.

In spite of the new peak in total employment, we must beware of those areas where spotty unemployment is beginning to appear. The main reasons for peak employment in May was an increase of almost 1.5 million workers in agricultural establishments and an increase of workers in the construction industry. Employment in electrical, textile, apparel and rubber is declining because demand for these products is beginning to fall off, mainly because price levels are too high. Besides, shortages of materials are forcing shut-downs. In

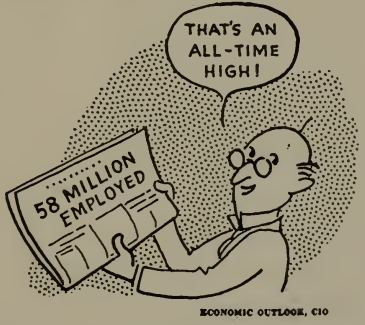
EMPLOYMENT, March to May, 1947

In Manufacturing 251,000 LAID OFF

In Textile and Apparel 143,000 LAID OFF

In Electrical Goods 60,000 LAID OFF

In Rubber Products
16,000 LAID OFF



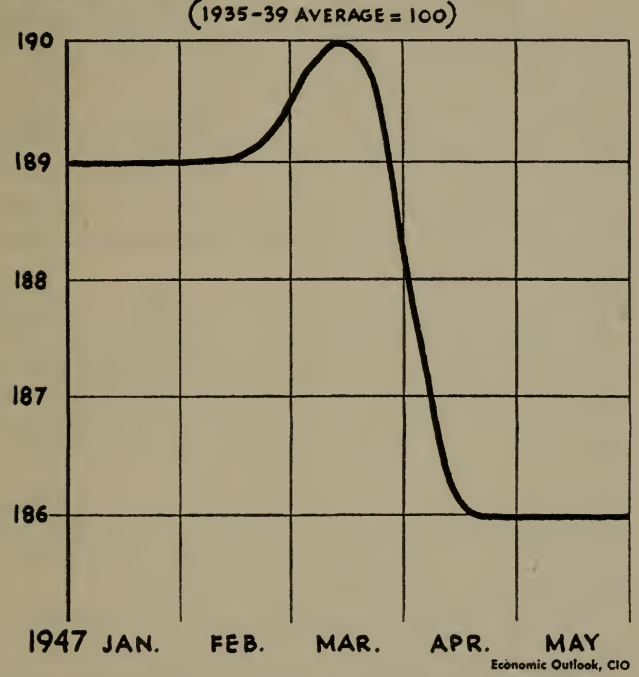
ECONOMIC OUTLOOK, CIO

the automobile industry in late April and May and again in July, workers were laid off because of the lack of sheet steel. Steel and electrical fabricating employment are also falling off because of shortages of materials.

Production

This chart clearly shows that production advanced to a post-war peak in March 1947. According to the Federal Reserve Board Index, industrial production has declined from 190 in March to 186 in April and May.

The reasons for this decline in production are the same as the reasons for the decline in employment. As demand falls off in our soft goods industries, such as textile, clothing, shoes, fur, leather and rubber, production is bound to decline, with the inevitable consequence of reduction in employment. Throughout the charts in this pamphlet, *What's Ahead?*, we are making one basic and fundamental point: prices have advanced to all-time highs which are beginning to reflect themselves in reduced sales, cuts in new orders and shipments and, consequently, decreased production and employment. Whether this downward trend becomes a recession remains to be seen. We are just pointing out some of the crucial areas in our economy. Recent increases in wages will be a temporary stimulant to sales and purchases which will prevent cuts in production and employment. Although future economic trends



cannot be predicted accurately, unfavorable aspects are such that remedial steps must be taken immediately by Congress and our government if we are to promote and maintain full production, employment and purchasing power.

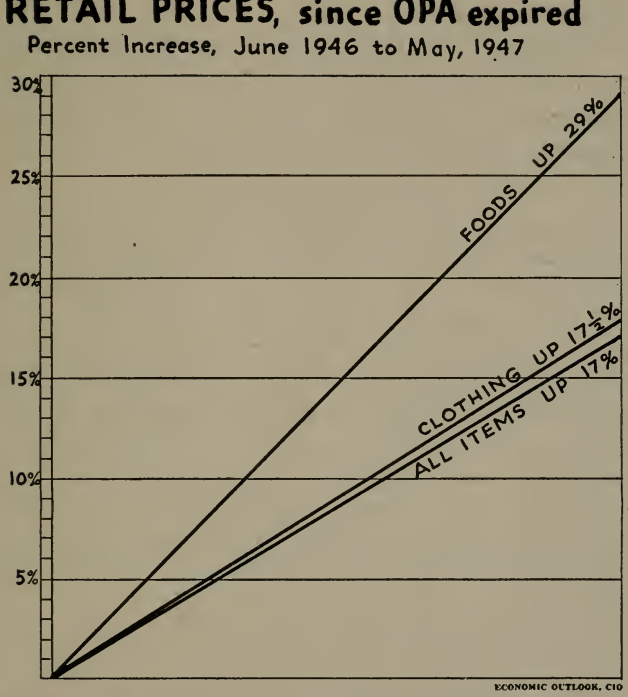
Retail Prices

Since June 1946, the last month of complete price control, the Consumers' Price Index, which measures retail prices and, supposedly, the cost of living, has increased 16.9 per cent. Retail food prices during this period have increased 28.8 per cent; clothing prices, 17.3 per cent. The Index is published by the Department of Labor. (For more detailed discussion of this Index, see the *Economic Outlook,* December 1946.)

The index reached an all-time peak in March 1947. Since that time it has fallen off less than one-half of 1 per cent. Minor and token reductions in prices are good in themselves, but it will take far more than token declines to reestablish prices at levels which will permit American families to buy their daily needs.

The retail food index hit an all-time high also in March 1947. The clothing index, except for a brief period in 1920, is now at an all-time high.

There is no positive assurance that the slight decline in the Consumers' Price Index which has occurred since mid-March will continue. As a matter of fact, it can be anticipated that the index may start moving up slightly within the next few months. For example, there has been little or no increase in the rent component of this index. Now, with the passage of the Rent Control Bill which



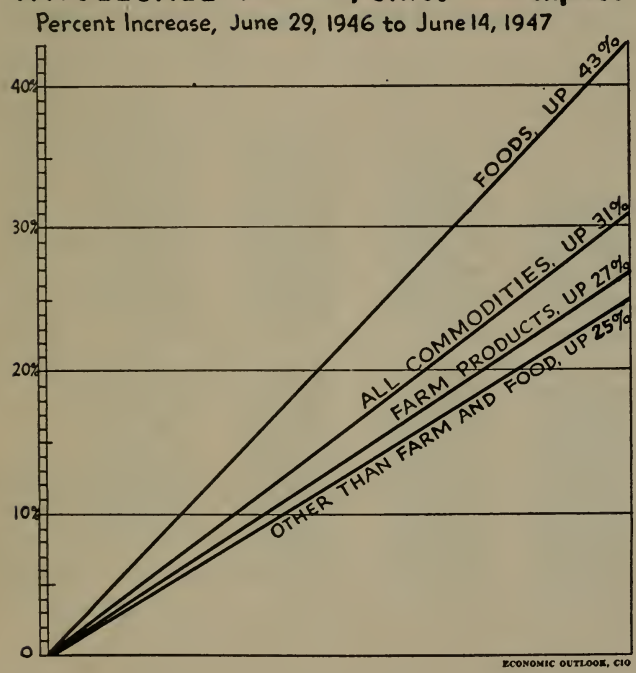
provides, in effect, for a 15 per cent increase in rent, we can expect this to push up the over-all price index by 2 or 3 per cent. We may have further upward pressures on the food price index, if floods in the mid-West continue to destroy and prevent the planting of crops and if the Marshall plan for Europe goes through.

Wholesale Prices

Wholesale prices of all commodities since June 29, 1946, just before OPA temporarily expired, have gone up 31 per cent. This 31 per cent is superimposed upon an already large increase of 46 per cent between 1939 and June 1946.

In the past year, wholesale prices of food have increased 43 per cent above OPA price ceilings. Farm products are up 27 per cent. Building material costs have gone up 35 per cent. All other groups of commodities listed in the wholesale prices index—with the exception of fuel and lighting, and household furnishings, which have gone up 19 and 17 per cent respectively—have increased from 25 to 45 per cent. The peak in wholesale prices was reached in March and April of this year. Since then, all wholesale prices have declined by only 1.2 per cent. However, prices are once again moving upward.

When price controls were relaxed and finally eliminated, prices moved upward to new all-time highs. Many members of Congress, both Senators and Representatives, and representatives of employer groups, such as the NAM and others, stated unequivocally that once OPA was eliminated, competition would soon take care of the price problem. The law of supply and demand, they said, would see



to it that prices found their own level at a point close to OPA ceilings. How wrong these people and organizations were is obvious to anybody who examines the two charts on this page and page 13, dealing with wholesale and retail prices.

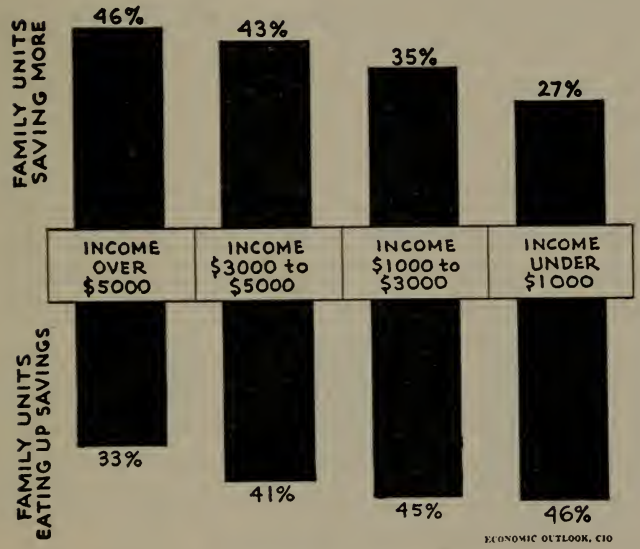
Savings

The Federal Reserve Board has just concluded another study of what has happened to the savings of American families. This study shows that of families earning more than $5,000, almost one-half increased their savings, while only one-third showed a decline in their savings. On the other hand, almost one-half of those families earning less than $1,000 showed declines in actual savings, while less than a third showed increases. In families earning between $1,000 and $3,000, a greater number showed declines in savings than increases. Almost the same number of families showed increases as showed decreases amongst families earning between $3,000 and $5,000.

The Federal Reserve Board, commenting upon these results said, "Among the spending units (families) that reduced their liquid asset holdings (savings), those in the lower income brackets used the funds withdrawn primarily for living expenses, emergency and other consumption purposes."

This study showed a net increase in liquid assets of $8 billion. However, those families showing declines in savings decreased their total savings by some $10 billion. This means that in order for total savings to increase by $8 billion, they first had to increase enough to offset the losses. The Fed-

1946 Changes in Family Units Saving or Spending Gov't Bonds and Bank Deposits

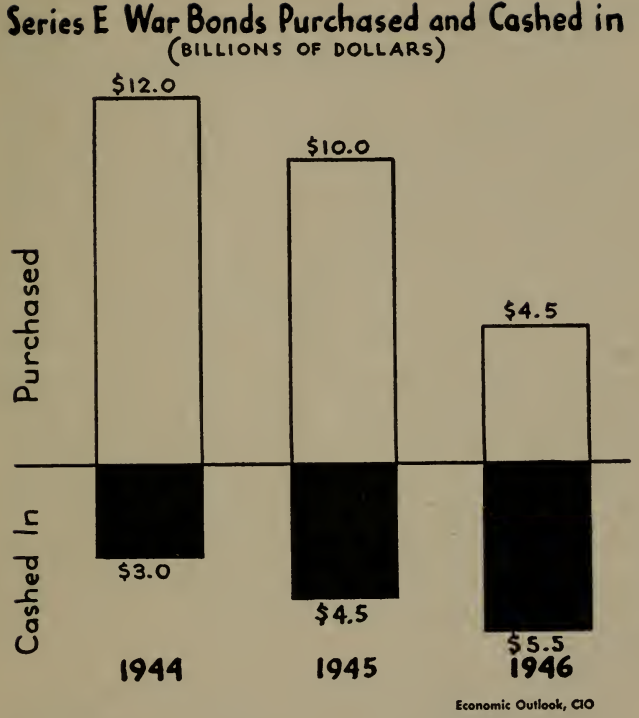


eral Reserve Board commenting upon this said, "In upper income groups additions to holdings (savings) were more frequent than withdrawals, while in low income groups the reverse was true. It appears that increases were of larger average size than withdrawals."

Series E Bonds

This chart shows that the average low-income family in America has been forced to cash many savings bonds bought during and after the war. Of the many varieties of government bonds sold during the war, the type the average worker bought, under the payroll deduction plan, was the Series E bond. Only high-income individuals, corporations and organizations bought the Series F and G bonds. More Series E bonds were cashed in than were bought during 1946, while Series F and G bond sales continued to exceed cash in's. In 1946, $4.5 billion worth of Series E bonds were sold while almost $5.5 billion were cashed in. In 1945, almost $10 billion in bonds were bought and about $4.5 billion cashed in. In 1944, during the height of the war, over $12 billion in Series E bonds were sold and only $3 billion were cashed in.

These figures indicate that only low-income individuals have been forced to cash in bonds. High-income individuals, who buy other than Series E bonds, are continuing to buy bonds in excess of the amount cashed in. Thus the trend toward accumu-

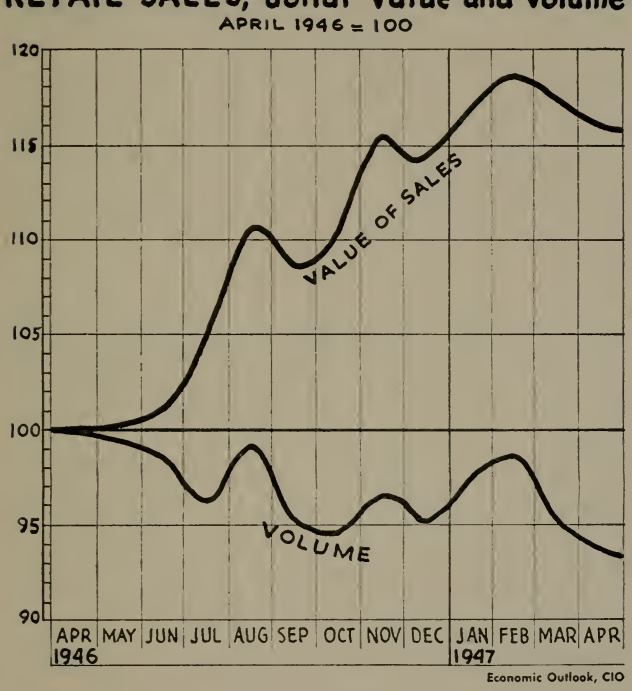


lation of liquid assets and savings bonds in the hands of the wealthy continues, as indicated by the chart on this page based upon the most recent Federal Reserve Board study.

Retail Sales

This chart shows the effect of higher retail prices upon total sales. As prices go up, people who are unable or unwilling to pay the increase drop out of the market or refuse to buy. All figures on retail sales based upon current prices indicate week to week and month to month and year to year increases. Retail sales, based upon current price, show, according to the chart, a 16 per cent increase between April 1946 and April 1947. However, if the price increases in the past year are eliminated, we see that the total volume of sales over this period has declined slightly more than six per cent. While sales based upon current prices have gone up, sales based upon 1946 prices have gone down. These reduced sales are reflected in other charts in this pamphlet.

As retail sales fall off, new wholesale orders also decline. Then production slows up, and this reduces employment. All of these factors added together establish trends which will continue until the price structure is lowered. High prices reduce



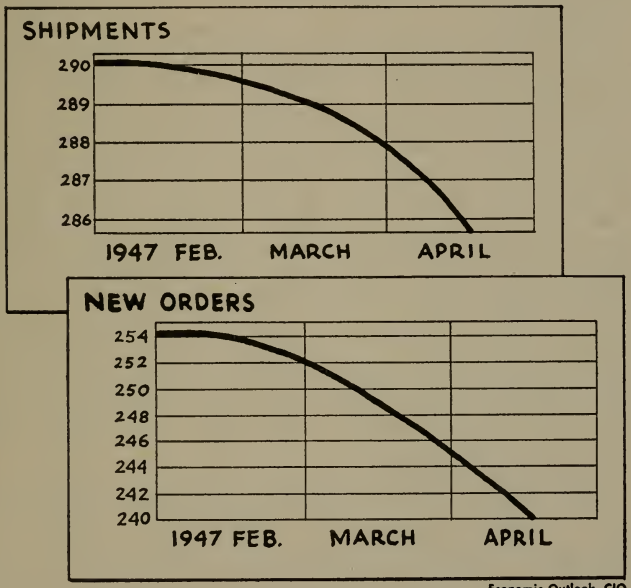
the purchasing power of the consumer's income. These trends could be reversed by higher wages and lower prices.

Shipments and Orders

This chart is a fairly good indicator of future economic activity. When shipments made to retailers turn downward, the manufacturers must readjust production schedules and lay off workers. The one thing which can stop production schedules from being readjusted downward is a large enough backlog of current orders to be shipped in the future.

We can see by this chart that both shipments and orders reached their peak in February of this year. Since then, both shipments and orders have declined. If this trend is not altered, we can anticipate that the production index we have already examined will continue to go down, and that spotty unemployment will continue. Shipments have fallen off by about two per cent while orders have fallen off by about three per cent. These are not extensive declines, but they do indicate a significant trend. In both shipments and orders, March showed the first decline of any size since the postwar readjustment began. If shipments and orders with their consequent effect upon production and employment

Value of SHIPMENTS and NEW ORDERS in Manufacturing
(1939 = 100)



Economic Outlook, CIO

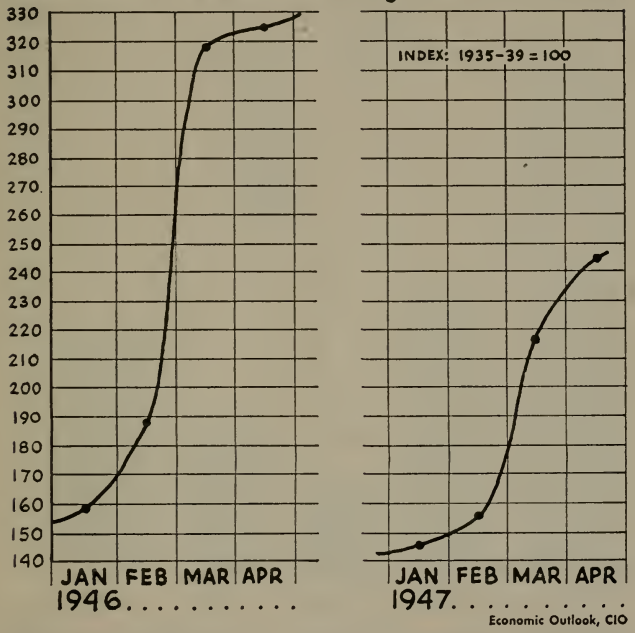
decline further during the coming month, it could mean a recession. If the trend is stopped or reversed, a recession will not be imminent.

Construction

It has been said that as construction goes so goes the greater part of our economy. If construction activity is at a high rate, our economy operates at a high level.

1946 was a good construction year. More new building units were started in 1946 than in any other previous year. At the start of 1947 it was hoped that construction activity would exceed even that of 1946. However, for the first four months of 1947, as we can see by the above chart, fewer new dwelling units were started than in the same month of 1946. In April, the number of units started was over 20 per cent less than in April 1946. These figures are based upon the index of building permits as published by the United States Department of Labor. All of the indexes of construction indicate that this down turn from the 1946 highs continue.

The reason for the decline, according to the Federal Reserve Board in its June bulletin, is that the rise in prices was greater, and resistance to them stiffer than had been estimated. In spite of the slight decline in construction we are operating at very high levels. However, as the Board points out, prices of housing and real estate are too high to support the present boom market, and almost half of those who planned to purchase homes in

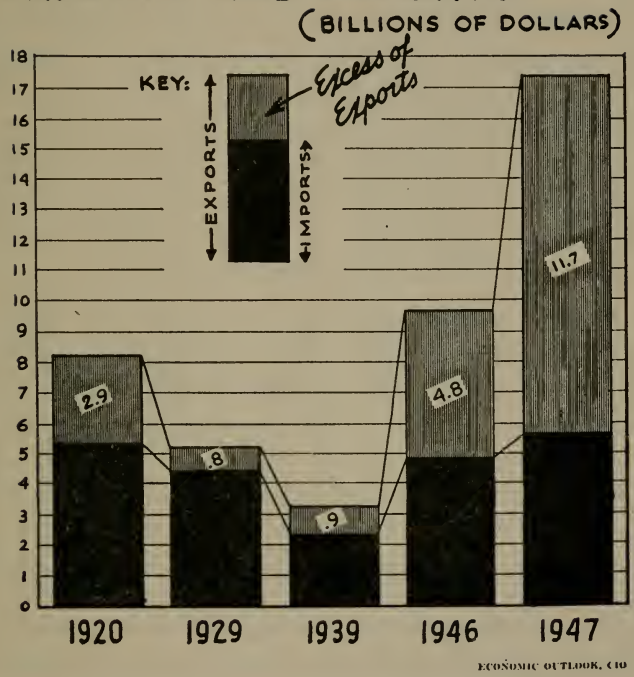


1947 would spend not more than $6,000. The average house on the market today sells for far more than these families can afford to pay. The bulletin says, "Because of price considerations many consumer units and more particularly those in lower income brackets have disappeared from the list of prospective purchasers of homes."

Foreign Trade

We are now shipping to foreign countries almost $12 billion a year more goods than we receive from them. The most recent month for which figures are available is May 1947 when we exported some $17.4 billion worth and imported $5.7 billion worth. The difference between these two is $11.7 billion. This is the extent of our excess foreign shipments over receipts or imports. In 1946 the difference between exports and imports was only $4.8 billion. Never in the whole history of America has our foreign trade approached the level attained this year. During the peak of the war in 1944, exports exceeded imports by slightly over $10 billion. During World War I, exports exceeded imports by only $3 to $4 billion. In 1920 exports were only $2.9 billion above imports. All during the prosperous '20's, except 1928, the excess of exports over imports never exceeded $1 billion.

Our current rate of foreign trade is contributing greatly to the maintenance of relatively full employment and full production, but how much longer we can continue to export at these rates depends upon two very important factors. Either we must increase our imports to enable foreign countries to pay for our material; or the foreign countries must



secure American loans to pay American dollars for American exports. Unless we do at least one of these two things, our export trade will of necessity decline, because American money and assets held by foreign countries are quickly being exhausted.

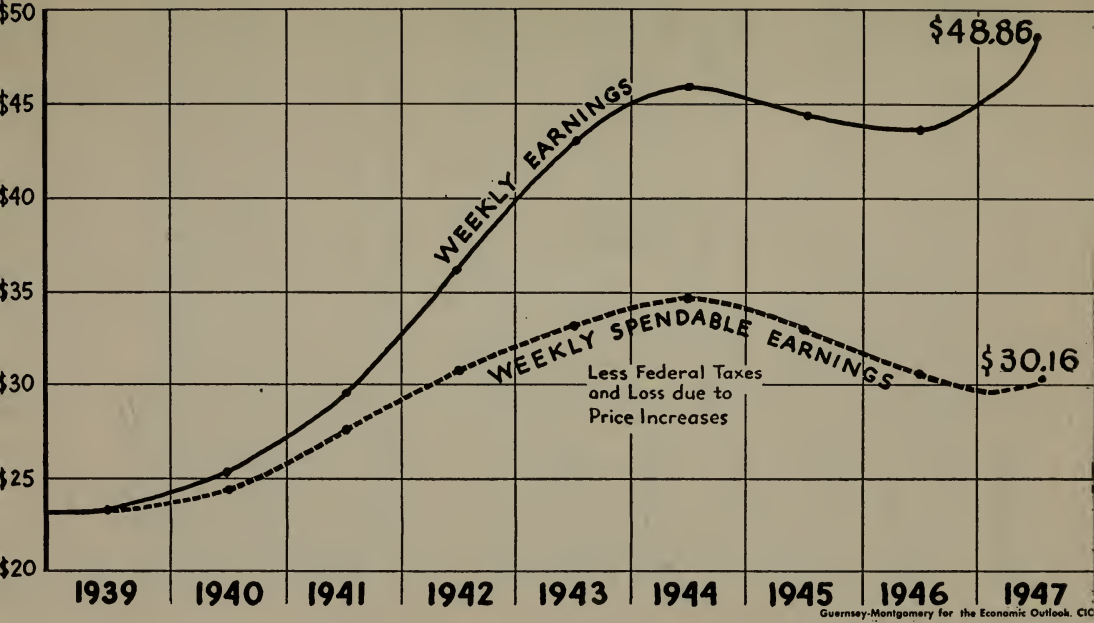
Weekly Take-Home Pay

In May 1947 average weekly earnings of workers in manufacturing industries reached their all-time peak of $48.86. The previous peak was $47.50 in January 1945. The wage settlements of 1946 and some of 1947 wage adjustments are reflected in this May figure. High weekly earnings, however, are not altogether significant. We must consider these earnings in terms of purchasing power.

Weekly earnings are over 100 per cent above those of 1939. But in terms of 1939 dollars take-home pay has increased from $23.62 to $30.16, less than 28 per cent. In 1939, the average worker in manufacturing industries earned $23.86. Assuming that he was the head of a family of four, he would have paid about 24 cents in federal taxes. His take-home pay was, therefore, $23.62. By May 1947, prices had increased about 56 per cent thus reducing this man's weekly purchasing power by $17.17. Taxes had increased about five-fold, so that he is paying $1.53 in federal taxes per week. This means that, in terms of purchasing power, the May 1947 earnings ($48.86) would buy only $30.16 worth of merchandise. This is only a $7.00 increase over the purchasing power of the 1939 earnings.

WEEKLY TAKE-HOME PAY IN MANUFACTURING, 1939-1947

(FAMILY OF FOUR)



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Conclusion

This pamphlet has reviewed in some detail the general condition of our economy. It is difficult to predict what will happen in the future, because our economy is so complex. But we have pointed out a considerable number of trends which, if continued, will have a serious impact.

To avoid recession and foster prosperity, Congress must take positive steps in developing an economic program for full production, employment and purchasing power. Such a program was submitted to a Joint Congressional Committee by Emile Rieve, Administrative Chairman of the CIO Full Employment Committee, and President of the Textile Workers Union of America. He recommended, on behalf of CIO that this Committee consider the following legislative economic program:

1. Establishment of a Federal Price Investigation Board whose job it would be, by use of public pressure and exposure of profiteering, to bring to light the reasons for current high prices.

2. Reestablishment of price control and rationing if this country follows the Marshall plan for Europe, and if crop failures develop because of floods in the Mid-west. Crop failure and increased foreign demand will bring higher and higher prices.

3. Overhauling and revamping of our tax structure (see April *Economic Outlook).*

4. Immediate adoption of amendments to increase minimum wage to 65 cents advancing to 75 cents within two years; and to extend coverage to those now outside this law.

5. Increase of social security benefits; reduction of retirement age; and expansion of coverage.

6. Adoption of a national health insurance and public health program and appropriations to build new hospitals.

7. Passage of a fair employment act.

8. Federal aid to education, in order to provide equal educational opportunities for all.

9. Conservation of natural resources, including preservation of the fertile soil which produces abundant crops.

10. Appointment of a Federal Monopoly Investigating Board to make continuous studies and reports upon monopoly concentration in American industry.

11. Development of an over-all farm program to assure equitable distribution of farm income. Also, adoption of a food-stamp plan to make available to low-income individuals vitally needed food.

12. Extension of river valley authorities, such as TVA, to other great rivers to prevent floods and develop cheap electrical power.

13. Building of 1–1½ million homes a year for the next ten years, a large proportion of this need being met by the federal government.

Questions for Discussion

1. In what industries have new highs in corporate profits been set in 1947? How do these highs compare with previous years?

2. How much higher are all corporate profits in 1947 than they were in 1946 and 1945?

3. When you examine the relative share of national income going into wages and salaries and net corporate profits, what important and significant trend do you see? Is this trend healthy for the future of our economy?

4. What industries were hard hit with lay-offs during March and April of this year? What importance can be attributed to this development?

5. When were the peaks in retail and wholesale prices established? Is the outlook for higher or lower prices?

6. What has happened to the savings of families at various income levels? In studying economic trends, of what importance is the fact that war bonds of certain series are being cashed in faster than new ones are being sold?

7. What is the difference between changes in retail sales measured by the value of the sales and measured by the volume of sales? Why is it important to eliminate price increases in determining what has happened to retail sales?

8. What have been the trends in shipments and new orders in the past few months? Of what significance are these trends?

9. Point out some of the reasons why the number of new dwelling units in construction has been declining.

10. Why must we be concerned with the present high level of exports of American merchandise abroad? In what year, prior to 1947, did exports exceed imports by the greatest amount? How does that peak year compare with 1947? What is the significance of this trend in foreign exports?

11. What effect have increased prices had upon weekly earnings of workers in manufacturing industries? How great has been the loss in purchasing power in weekly earnings since 1939? What part of this loss is due to rising prices and what part to taxes?

12. Which of the suggested recommendations for a legislative economic program do you consider to be the most important, if we are to promote full production, employment and purchasing power?

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Organize a Discussion in your union hall or in your home.

- Use "What's Ahead?—A Survey of Current Economic Trends" as a basis for discussion. Order extra copies.
- Order the following additional materials published by the CIO Department of Research and Education, 718 Jackson Place, N. W., Washington 6, D. C., for your discussion group:

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INDUSTRY'S RETURN ON INVESTMENT INCREASING, *Economic Outlook*, March, 1947. 10c a copy, 100 for $3.

H.R. 1—TAX RELIEF "FOR THE GREEDY" . . . , *Economic Outlook*, April, 1947. 10c a copy, 100 for $3.

GROWTH OF MONOPOLIES THREATENS AGE OF PLENTY, *Economic Outlook*, June, 1947. 10c a copy, 100 for $3.

- **NOTE FOR DISCUSSION LEADER:** Write for "The Economic Report of the President," January 8, 1947 (15c per copy) and "Midyear Economic Report of the President," July 21, 1947 (25c per copy). These will be helpful in planning the discussion. For copies of these Reports write directly to: Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.